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Trademark Bullying or Proper Protection? – The Battle over "FOR THE CURE"

By Alain Lapter

In the January issue of the firm's business newsletter, I discussed a new initiative from the U.S. Patent and Trademark Office (PTO) intended to address issues relating to trademark bullying. Basically, trademark bullying occurs where senior mark owners, particularly those with deep pockets, attempt to dissuade smaller parties from using a mark, even though the likelihood of confusion to consumers through the contemporaneous use of the marks is de minimis, at best.

The PTO has requested comments from trademark owners because it believes that smaller entities, those with minimal cash to protect their intellectual property, are being pushed around unfairly by larger corporations. As the article noted, a recent federal court decision held that copyright holders must analyze (to whatever extent) whether the use of their work by another party would be protected as fair use under Section 107 of the Copyright Act before demanding cessation of that work. This puts the onus on the copyright holder to justify a claim of infringement, rather than using their deeper pockets to bully others. Perhaps the PTO will seek implementation of the same or a similar requirement when it comes to the demands of mark-owners to have third parties cease use of an allegedly infringing mark.

The notion of trademark bullying, as opposed to legitimate protection against confusion or dilution, is highlighted by Susan G. Komen Breast Cancer Foundation's ("Komen") recent decision to demand that other charitable organizations cease use of the phrase "For the Cure" due to what they argue is a likelihood of confusion to consumers. It is undeniable that Komen has gained a certain level of recognition in its SUSAN G. KOMEN FOR THE CURE mark which it uses in connection with its charitable fundraising for breast cancer research. In order to protect its mark, Komen is the owner of numerous federally-registered marks, both with and without additional wording and/or design elements (think pink ribbon).

According to several published reports, Komen has demanded that various charities cease all use of the phrase "For the Cure" as part of their trademarks, including the following: Bark for the Cure, Blondes for the Cure, Kites for the Cure, Par for the Cure, Surfing for the Cure, and Cupcakes for the Cure, just to name a few. Komen has challenged the registration of these marks by filing opposition proceedings with the Trademark Trial and Appeal Board ("TTAB"). Komen argues, in part, that confusion among consumers is likely in light of numerous registered marks owned by Komen, including: Sing for the Cure, Race for the Cure, Ski for the Cure, Dance for the Cure, Inspiration for the Cure, Sold for the Cure, Home for the Cure. Indeed, Komen owns over 100 registrations for marks incorporating the wording "For **The** Cure".

This case is intriguing from both legal and non-legal perspectives. Initially, Komen's claim brings up a dimension of trademark enforcement not typically considered. Traditional notions of trademark enforcement involve corporate entities trying to protect their property in the private arena. This makes Komen's efforts, pitting one charity against another, unusual. As noted by the *Wall Street Journal*, "[t]rademark turf battles

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characteristic of sharp-elbowed corporations are erupting across the typically amicable world of nonprofits. Charities raising money for the same cause are getting into dust-ups over fonts, logo designs and other branding minutia." While accurate, one must question Komen's decision to try and enforce its rights against smaller charities, particularly since, in this author's opinion, it's legal proposition is tenuous at best. Furthermore, it would take a great leap from common sense for the TTAB to find the marks confusing, for which Komen has no one to blame but itself.

First, it is important to note that Komen is relegated to filing opposition proceedings with the TTAB because the Trademark Office examiners reviewing the opposed marks approved them for publication time and again. It is assumed that these examiners saw Komen's registered marks when searching the Trademark Office database during the prosecution stage and universally decided against citing Komen's marks based on a likelihood of confusion to consumers.

Truth be told, a brief review of the Trademark Office database revealed that "For The Cure"-inclusive marks are owned up and down the line by Komen. Yet, here is the rub. The same database revealed 31 registered marks incorporating the wording "For A Cure," owned by different entities, and all being used in connection with charitable services, including: Kayak For A Cure, Athletes For A Cure, Comedy For A Cure, Acting For A Cure, Cables For A Cure, Jingle For A Cure, and Carnival For A Cure, among others. Not only have these marks co-existed peacefully in the marketplace, but nothing from the Trademark Office records indicate that Komen ever attempted to oppose registration of these marks.

Komen's argument relies on its perceived exclusive ownership in the wording "For The Cure". While this wording is certainly part of Komen's registered marks, this author believes that their claim of exclusive rights is unconvincing. From a judicial perspective, the TTAB will consider numerous factors in determining whether an applicant's mark is confusingly similar, and, therefore, infringes on a senior user's mark. These factors include: similarity of the marks as to appearance, sound, connotation and overall commercial impression; similarity of the goods or services associated with the marks; and, <u>whether other similar marks are being used by third parties</u>, among other factors.

So where does that likely leave Komen in its bid to prevent others from registering "For The Cure"-inclusive marks?

The TTAB will typically begin its analysis with a determination of the strength of the subject marks. With respect to Komen's marks, while the TTAB will consider the marks as a whole, it is expected that the Board may focus more so on the strength, or lack thereof, of the wording "For The Cure." In doing so, the Board will determine that is likely to hold that such wording lacks strength as a source identifier due to its arguably descriptive nature. As discussed below, Komen's death knell, however, may be the overwhelming evidence of dilution.

Komen will need to convince the TTAB that there exists some quintessential difference between the wording "for the cure" and "for a cure" to justify its decision not to oppose marks incorporating the latter phrase. Komen may have dug itself in a hole by permitting these other marks to register. Applicants for the opposed marks will likely argue that Komen's inaction is in effect a concession that the opposer does not believe that contemporaneous use of the subject phrases are likely to cause confusion to consumers. Komen will likely counter by arguing that the subject phrases create different connotations and have dissimilar commercial impressions. Furthermore, Komen will attempt to steer the TTAB's attention back to the fact that the opposed marks incorporate the phrase "for the cure," rather than "for a cure."

The TTAB, however, may not be able to or will not simply sidestep the principal question: Are the terms "the" and "a" so different as to justify Komen's opposition to these series of marks, but not the prior registrations, or has Komen effectively rendered the contested phrase open for use by any third party? In this author's opinion, the TTAB will likely find that the terms are indistinguishable from a trademark perspective and that consumers upon encountering the wording "for a cure" and "for the cure" would not be able to conceptualize a difference in connotation.

If that is indeed the outcome, then Komen's disinclination of opposing the "for a cure"-inclusive marks would also effectively render "for the cure" not exclusively protectable. The resultant dilution of the phrase "for a cure" would consequently free up the phrase "for the cure" for use by others, so long as the wording preceding the phrases are not confusingly similar to those protected by Komen's registrations.

In the end, Komen's arguable bullying may leave it no better off than when it began this quest. Furthermore, the TTAB may hand down a decision(s) that would set precedent and undermine any attempts by Komen to enforce its marks against third parties in the future. Komen could have avoided this situation by recognizing that it can not selectively enforce its marks. This case, therefore, illustrates the fact that trademark owners must bear the responsibility of defending their rights against third party infringers, or risk loss of exclusive rights.

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THE ARROGANT CAR SALESMAN

By James V. Irving

On February 16, 2010, Judge Jonathan C. Thatcher entered an award of actual damages and punitive damages against James J. Redden for breach of contract, conversion, breach of fiduciary duties and breach of his non-competition agreement. The odd thing is that Redden was the Plaintiff, having brought the case before the court by suing his former co-owners of Springfield Motors, Inc ("SMI") in Springfield, Virginia.

Redden went to work for SMI in 2003 and soon became an officer, director and shareholder in the company. In May of 2004, he and the company entered into a series of business agreements, including an employment agreement that contained a non-competition provision. In pertinent part, the non-compete prevented him from "engaging in any business that was similar to SMI" during the period of his employment with SMI, and from soliciting or hiring SMI's employees for any outside enterprises.

After hearing the evidence at trial, Judge Thatcher found that Redden had started a competing business (Mobile Body Repair "MBR"), solicited a SMI employee to work for MBR, and stole money from SMI by misstating and falsifying his commissions, all while working for SMI. When he decided to terminate his relationship with SMI in August of 2005, Redden unilaterally decided to set off his unused vacation time against monies he owed SMI for a car he had purchased, although his employment agreement prohibited him from doing so.

As bad as Redden's record was, it appears he could have gotten away with it all by simply walking away. Instead, he sued the two individuals with whom he had owned the business, demanding that they buy back his stock and elect him to SMI's board of directors, as, he claimed, was required by SMI's operating documents. Instead, his co-owners counter-sued.

Judge Thatcher had no trouble finding against Redden on his affirmative claims, because of his prior breach of the Contract and because the doctrine of "unclean hands" barred his access to the equitable remedy that would require his election to the Board of Directors.

Judge Thatcher ruled the Non-Competition agreement enforceable because it only prohibited competitive business activity while Redden was employed by SMI; not after he had left. The provision prohibiting the soliciting of SMI employees was also deemed enforceable.

Quoting the established case law that "the unbending rule is that the director [of a corporation] must act in utmost good faith," Thatcher found that Redden had repeatedly breached his fiduciary duties through his course of conduct, but since the Judge had already decided to sanction this conduct by awarding damages under the breach of contract and conversion theories, he awarded no actual damages under the breach of fiduciary duties theory.

Redden's failure to comply with his fiduciary duties became a factor when the Court considered Punitive Damages. Punitive Damages are only awarded "where there is misconduct or actual malice, or such recklessness or negligence as to evince a conscious disregard for the rights of others." In such a case, punitive damages may be awarded "to punish the wrongdoer and warn others against misconduct." Judge Thatcher's award of punitive damages served both purposes, but only because Redden had brought the case in the first place. Be careful what you wish for.

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<u>TAX LAW</u>: Beware the 100% Trust Fund Recovery Penalty

By: Ronald A. Feuerstein, Esquire

Unfortunately, due to business and/or financial stress, some business owners use taxes withheld from employees' pay checks for the business, or even personal uses. This is an extremely risky and dangerous position in which to place your business.

The "trust fund recovery penalty" (or simply the "trust fund penalty") applies to the Social Security and income taxes required to be withheld by a business from its employees' wages. Since the taxes are considered property of the Government, the employer holds them in "trust" on the Government's behalf until they are paid over. Significantly, it is also called the "100% penalty" because the person liable for the taxes (the "responsible person" described below) will be penalized 100% of the taxes due. Accordingly, the amounts the IRS seeks when the penalty is applied are usually substantial, and the IRS is very aggressive in enforcing this penalty.

The trust fund recovery penalty is among the more dangerous tax penalties because it applies to a broad range of actions and to a broad range of persons.

What actions are penalized? The penalty applies to any willful failure to collect or truthfully account for and pay over Social Security and income taxes required to be withheld from employee wages.

Who is at risk? The penalty can be imposed on any person "responsible" for collection and payment of the tax. This has been broadly defined to include a corporation's officers, directors and shareholders under a duty to collect and pay the tax, as well as a partnership's partners, or any employee of a business under such a duty. Even voluntary board members of tax-exempt organizations, who are generally excepted from responsibility, can be subject to this penalty under certain circumstances. Responsibility has even been extended in some cases to family members close to the business, and to attorneys and accountants.

The IRS' position generally is that responsibility for the trust

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<u>TAX LAW</u>: Beware the 100% Trust Fund Recovery Penalty

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fund penalty is based upon status, duty and authority. Anyone with the power to make certain that the taxes are paid may be "responsible" under the tax law. There is often more than one "responsible person" in a business, but each is at risk for the entire penalty. Although a taxpayer held liable may sue other responsible persons for contribution, this is an action he or she must take entirely on his own after he or she pays the penalty. It cannot be part of the IRS collection process. Beware of how broadly the net can be cast: You may not be directly involved with the withholding process in your business. Nevertheless, if you gain knowledge of a failure to pay over withheld taxes and have the power to have them paid and instead make payments to creditors, etc., you become a "responsible person."

What is "willfulness?" For actions to be willful, they do not have to include an overt intent to evade taxes. Simply succumbing to business pressures and paying bills or obtaining supplies instead of paying over to the Government withheld taxes due the Government is "willful" behavior for these purposes. Even though a business owner might delegate responsibilities to someone else does not necessarily mean he or she is "off the hook." Your failure to handle the responsibility yourself can be treated as the "willful" element.

Avoiding the penalty. A word to the wise: Absolutely no failure to withhold and no "borrowing" from withheld amounts should ever be allowed—regardless of the circumstances. The penalties are too severe and the risks too great.

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